



HENRY McMASTER
GOVERNOR

September 13, 2021

To the Members of the General Assembly,

As you are aware, South Carolina's counties, cities and towns have been allocated over \$1.6 billion from the American Rescue Plan Act (ARPA).

Because the State has a vested interest in maximizing the benefit of all ARPA funds, I recently asked the Executive Budget Office (EBO) to provide guidance on whether county and local governments may utilize ARPA funds for infrastructure projects, to include roads and bridges.

In short, the answer is yes.

I encourage you to provide the attached letter from EBO Director Brian Gaines to your county and local government leadership. It provides guidance on how ARPA funds may be spent on infrastructure projects, like roads and bridges, in addition to water, sewer and broadband.

While the State cannot direct how ARPA funds are spent, in certain circumstances, county and local leaders may want to consider utilizing their ARPA funds to augment and enhance state and federal funding on large infrastructure projects.

I hope that you will find this information useful. Please let me know if you have any questions.

Yours very truly,

A handwritten signature in blue ink, which appears to read "Henry McMaster".

Henry McMaster

Attachment

September 9, 2021

The Honorable Henry McMaster
Governor
State of South Carolina
1100 Gervais Street
Columbia, South Carolina 29201

Dear Governor McMaster,

You have asked the Executive Budget Office (EBO) to determine whether county and local governments may utilize funds received from the American Rescue Plan Act (ARPA) for infrastructure projects, to include roads and bridges.

The Department of Treasury has provided guidance that ARPA funds may be used to make necessary investments in water, sewer, or broadband infrastructure. Further, funds can be used for road repairs and upgrades that occur in connection with an eligible water or sewer project.

Below is guidance from the *Department of Treasury, Frequently Asked Questions, July 19, 2021*.
<https://home.treasury.gov/system/files/136/SLFRPFAQ.pdf>

5. May recipients use Funds for road repairs and upgrades that occur in connection with an eligible water or sewer project?

Yes, recipients may use State and Local Fiscal Recovery Funds for road repairs and upgrades directly related to an eligible water or sewer project. For example, a recipient could use Funds to repair or re-pave a road following eligible sewer repair work beneath it. However, use of Funds for general infrastructure projects is subject to the limitations described in FAQ 4.2. Water and sewer infrastructure projects are often a single component of a broader transportation infrastructure project, for example the implementation of stormwater infrastructure to meet Clean Water Act established water quality standards. In this example, the components of the infrastructure project that interact directly with the stormwater infrastructure project may be funded by Fiscal Recovery Funds.

If the infrastructure/road project is NOT related to a water or sewer project, ARPA funds may be used by counties and local governments for infrastructure projects, to include roads and bridges,



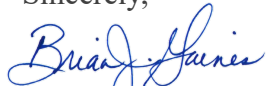
if they are able to demonstrate a loss in revenues related to COVID-19.

3.8 Once a recipient has identified a reduction in revenue, are there any restrictions on how recipients use funds up to the amount of the reduction.

The Interim Final Rule gives recipients broad latitude to use funds for the provision of government services to the extent of reduction in revenue. Government services can include, but are not limited to, maintenance of infrastructure or pay-go spending for building new infrastructure, including roads; modernization of cybersecurity, including hardware, software, and protection of critical infrastructure; health services; environmental remediation, school, or educational services; and the provision of police, fire, or other public safety services.

We have also consulted with Guidehouse, the state's third-party grants manager and they agree with our interpretation above. If you have any additional questions, please let me know.

Sincerely,


Brian Gaines